CERTIFICATION OF GREEN PRICING PROGRAMS:

STRAWMAN PROPOSAL

DISCUSSION DRAFT
(VERSION IX)
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THIS PROPOSAL FOR CERTIFYING UTILITY-SPONSORED GREEN PRICING PROGRAMS WAS PREPARED BY THE CENTER FOR RESOURCE SOLUTIONS (CRS) UNDER THE AUSPICES OF THE GREEN-E RENEWABLE ELECTRICITY PROGRAM, THE NATION'S PREMIERE CERTIFICATION PROGRAM FOR RENEWABLE-BASED ELECTRICITY PRODUCTS OFFERED IN RESTRUCTURED ELECTRICITY MARKETS. CRS, A 501(C)3 NON-PROFIT ORGANIZATION BASED IN SAN FRANCISCO'S PRESIDIO, PROMOTES SUSTAINABLE ECONOMIC DEVELOPMENT THROUGH THE USE OF RENEWABLE ENERGY AND ENERGY EFFICIENCY TECHNOLOGIES AND PRACTICES.

THE VIEWS EXPRESSED IN THIS DOCUMENT ARE INTENDED TO STIMULATE DISCUSSION AMONG THE BROAD RANGE OF STAKEHOLDERS INTERESTED IN ISSUES SURROUNDING GREEN PRICING CERTIFICATION. THIS IS A DISCUSSION DRAFT ONLY – THIS DOCUMENT DOES NOT REFLECT THE FINAL VIEWS OF THE GREEN-E PROGRAM, THE GREEN POWER BOARD, OR THE CENTER FOR RESOURCE SOLUTIONS.

CRS WOULD LIKE TO THANK THE ENERGY FOUNDATION FOR ITS GENEROUS SUPPORT OF THIS EFFORT.

Part I – Introduction

A. Background

Interest in "green" power – the sale or purchase of electricity produced using a significant percentage of renewable energy resources – is quickly building nationwide. By the first quarter of 1999, 18 million residential customers will have access to green power offerings from newly established green power marketers active in restructured electricity markets. Monopoly utilities in as yet unrestructured markets echo this interest with almost 40 green pricing programs developed nationwide. The cumulative impact of providing customers this unprecedented choice potentially signals a critical turning point in using market forces to help clean up one of our nation's most polluting actors – the $213 billion / year electric utility industry.

In 1997, in collaboration with a broad range of forward-thinking consumer, environmental protection, and renewable energy advocates, the Center for Resource Solutions launched the *Green-e* Renewable Electricity Certification Program. Aimed first at California's restructured electricity market, and since launched in Pennsylvania and soon in New England, *Green-e* is the nation's only voluntary certification program for renewable-based electricity products. To date, *Green-e* has certified over twenty products offered by over a dozen companies.

In mid-1998, a number of regulated utilities from around the country inquired about gaining *Green-e* certification for green pricing products offered in their monopoly markets. In response to the requests, and in keeping with the stakeholder-driven, collaborative approach that has been a signature of the *Green-e* process since its inception, the Center for Resource Solutions (CRS) convened an ad hoc meeting of interested parties in October 1998 to identify issues surrounding green pricing certification. Though the meeting produced no simple consensus on any one approach for certifying green pricing programs, participants unanimously agreed that the prospect of developing strong criteria and providing certification could help improve the quality of the programs.

The following strawman proposal sets out a preliminary approach for certifying utility-offered green pricing programs. It was prepared with the support of the Energy Foundation and incorporates input from the many stakeholders to this issue: utility sponsors of green pricing programs, renewable energy producers, consumer protection and environmental protection advocates, regulators, and green power marketers currently active in restructured markets. This draft will serve as the centerpiece to a longer process in which stakeholders will engage key issues and resolve outstanding questions raised within this first proposal. We hope to gain significant additional thoughts on this proposal through this substantial review process, including determining:

1) if it is both feasible and desirable to establish a program for certifying utility-sponsored green pricing programs; and

2) the feasibility of designing a green pricing certification program that is compatible with *Green-e* and that does not undermine efforts to create viable

competitive markets if and when current monopoly markets open to competition.

This proposal is organized around two main sections. Part I provides the background and context for this issue. Part II identifies the main criteria and program design elements for green pricing certification. Part II closes with definitions of key terms. Appendix A provides background on the major considerations that helped shape this document.

B. Context

Approximately 40 utilities in regulated markets have launched programs that give their customers the option to voluntarily support the development of renewable energy. Appropriately designed green pricing programs can help stimulate the development of clean power resources in at least three critical ways:

a. increasing the development of new renewables;

b. helping educate a broad spectrum of customers, not just green pricing customers, about electricity choice and the impact of electricity generation on the environment; and

c. building a base of green customers that could be the “early adopters” who later take advantage of newly created competitive markets.

Green-e was created to help bolster consumer confidence in renewable-based electricity products offered in deregulated electricity markets. Adapting a similar program for use with green pricing programs offered by regulated utilities could likewise expand markets for and improve consumer confidence in renewable-based electricity products offered in regulated or otherwise monopoly markets.

Certifying green pricing programs also raises issues surrounding enhancing the market power of incumbent utilities in the event of restructuring. The following proposal includes provisions to help minimize market power issues, to the extent possible.

C. Motivation

Beyond expanding the market for renewables by increasing customer information and confidence, green pricing certification has several additional objectives:

1. Capture as many opportunities as possible for educating customers about the importance of purchasing green power. It is expected that as additional large users take advantage of green power options, they will become more aggressive about announcing their use of green power in their own public outreach materials, helping create new avenues for customer education.

2. Ensure the quality of certified green pricing programs.

3. Highlight model green pricing programs for interested utilities and utility regulators.

4. Increasing the development of new renewable energy throughout the U.S.

D. Relationship Between Green-e Criteria and Green Pricing Criteria

The criteria for green pricing certification depart from the current *Green-e* minimum threshold criteria for several reasons:

- Markets that are regulated today may become competitive at a later stage. Therefore, the development and design of green pricing certification must allow for an expected transition to competition, and be structured in a way that avoids providing unfair competitive advantage to incumbent monopolies in the event of restructuring.
- Regulated utilities have captive customers and pass on their costs to those customers. As such, product prices and marketing costs are both issues for stakeholder discussions regarding certification for green pricing programs.
- *Green-e* criteria reflect the relative infancy of green power markets and are expected to become more stringent as green power markets mature (e.g., the Green Power Board recently adopted a standard requiring *Green-e* certified products to utilize "new" renewable resources). The well-established structure of mature monopoly markets presents no similar transition issues.

E. Timeline for Establishing Green Pricing Certification Program

Following is a proposed timeline for discussions regarding the green pricing certification program:

Action	Due Date
I. Distribute Draft Proposal	February 26, 1999
II. Deadline for Written Comments on Draft	March 17, 1999
III. Stakeholder Meetings – Comment and Revisions to Draft	March 18-April 30, 1999
IV. Final Decision – Options for Proceeding	May 15, 1999

Part II – Green Pricing Certification Program Overview

A. Certification Criteria

Following are proposed preliminary certification criteria.

The following conditions must be met before a green pricing product can be considered eligible for certification:

(1) the product must be offered in a region with an established green pricing certification stakeholders group.

(2) the relevant stakeholder group must be finished developing final recommended certification criteria for products offered in that region.

(3) the final recommendations of the stakeholder group must be approved by the program's governing Board.

The relationship between certification, stakeholder groups, and the governing board (Board) is discussed more fully in Part II, Section B, "Process Issues" (Page 10). The proposal offered below provides a general outline for the certification program and establishes certain threshold conditions that green pricing programs must meet to be considered potential candidates for certification. However, specific recommendations on final certification criteria made by stakeholder groups may create differences between the final criteria adopted in individual regions.

Green-e program criteria are applicable in regions with competitive markets. Green pricing certification criteria will be applicable in regions featuring regulated or monopoly markets. Green pricing certification will allow for individual utilities with multiple products to gain separate certifications for each of those products, as long as the green pricing certification program's criteria are met. The *Green-e* logo is used to identify certified products offered by power marketers in competitive markets. A new logo, similar in look to the *Green-e*, will be developed to identify certified products offered by utilities in regulated markets. However, the *Green-e* logo will be available to end-users for secondary use in both restructured and regulated markets (see Section A, Number 1, below, for more detail on secondary use).

The threshold criteria that must be met for discussions on certifying green pricing programs are as follows:

1. Resource Content

Eligible Renewable Technologies: Eligible renewable technologies that may be included in certified green pricing programs include: biomass (including waste-to-energy and landfill gas); geothermal; small hydroelectric (< 30MW); solar; wind or ocean-based renewable resources used to generate electricity. The definition of eligible renewable energy will remain consistent with definitions in the *Green-e* program. Stakeholder groups have the discretion to recommend for governing board consideration refinements to the definition of eligible renewable technologies.

New Renewables: The intent of the green pricing certification program is to increase the amount of renewable energy supply and to improve the environmental performance of regulated or monopoly electricity markets. Certified products must generally entirely consist of new renewables built absent from any mandatory requirement to construct or contract with the renewable facility supplying the certified product. In certain circumstances, subject to case-by-case approval, certain existing resources may be deemed to meet the above standards (See Part II, Section B, No. 2, "Certification Process," Page 11, and Part II, Section E, Definitions: New Renewables, Page 13).

Renewable Energy and Capacity Blocks: Utilities with programs that do not require customers to buy 100% of their energy from renewable resources are eligible for certification. In such a case, the utility can offer customers blocks of renewable resources to be purchased in combination with the utility's own system power. Any blocks offered to customers within the context of the certified green pricing program must have 100% new renewable content.

Blocks of renewable energy (in kWh or as a percentage) or capacity (kW) are both eligible for inclusion as certified products. Programs based on solar photovoltaic and / or solar thermal generation may be certified as capacity blocks.

Donations: Donation programs are not eligible for certification. Green pricing certification is only available to energy block, capacity block and blended energy product programs that explicitly link customer payments to energy and capacity production and delivery designed to serve that customer.

Blended energy products. A blended energy product is a green power product that is intended to meet the full needs of each individual customer (as opposed to energy or capacity blocks). Blended energy products are eligible for green pricing certification if they are based on at least 50% new renewable supply.

Consistent with *Green-e*, the non-renewable generation component of a blended eligible product must have an emissions rate per kWh for SO_2, NO_X, and CO_2 that does not exceed the average emissions rates for the fossil portion of net system power. In no event may the total fossil emissions from a blended product exceed the average system power emissions rate. Furthermore, the non-renewable generation component may not include nuclear power other than what is contained in any system power included as part of this product. Creating blended energy products that mate renewable energy with non-renewables that are cleaner than system power is encouraged, provided that such claims can be substantiated.

One of two methods can be used to document claims regarding emissions from the non-renewable portion of blended certified products: 1) EPA algorithms (emissions factors) for the specified type and vintage of plant, or 2) actual data on the plant's air emissions. In cases where the emissions characteristics of system power are not known, gas-fired combined cycle or cogeneration projects with selective catalytic reduction will generally be accepted as cleaner than system power.

Establishing an acceptable emissions baseline for blended products requires that local stakeholder groups have access to system power emissions rates. System power can be calculated at the level of the utility, the state, or the transmission area. The Board will determine the appropriate system power calculation level in consultation with the stakeholder group. The definition of system power will be consistent within a given region (for example, all participating utilities within a given region will use the same calculation for determining system power).

Secondary use of the Brand: Customers who purchase a certified product will be eligible for secondary use of the *Green-e* logo. Green pricing certification standards for secondary use will be consistent with those for *Green-e*. Customers who purchase products based on blocks will be allowed to make secondary use of the *Green-e* logo only if minimum percentage requirements are met for the customer's energy use. To use the *Green-e* logo, an individual customer must garner:

- 50% of a customer's energy use on a per-meter basis if purchasing an energy product, or
- at least 50% of a customer's demand on a per-meter basis if purchasing capacity blocks.

Customer use determinations are made on an annual basis. Upon enrollment in a certified green pricing program, end-use customers may register with the Center for Resource Solutions to gain secondary use of the *Green-e* logo.

2. Product Pricing and Marketing Costs

The price of the certified product must be considered reasonable by the Board, on the recommendations of the local stakeholders group. As a general principle, the price of certified products should not exceed direct program costs plus overhead. Proposed marketing costs must also be considered reasonable. Assurances that pricing and program costs are defensible will increase customer confidence and help promote participation in certified green pricing programs. Utilities offering certified green pricing products are expected to not charge green power customers for the cost of certified products until the new renewable resources required to supply that product are operational and supplying power.

For certified green pricing programs that transition to restructured markets, the costs of the certified green pricing program, including its marketing expenses, are expected to be borne solely by participants in the certified program and/or shareholders (if applicable). Any certified program offered two years or less prior to a market restructuring (or opening) must recover 100% of its costs from participants in the certified program or shareholders (if applicable). In regions where restructuring is not imminent, the local stakeholder group may recommend to the board marketing criteria that could allow some marketing costs to be shared by non-participants. In no case should the above markets costs of the energy used for a certified green pricing program be allocated to customers who are non-participants in the program.

As part of their annual recertification, participating utilities will submit to the Program Administrator, for ultimate review by the Board, an annual report of their marketing expenses for the certified program. The report will substantiate the allocation of the marketing costs, and present evidence that the level of expenditures is reasonable and has been effective. The Board reserves the right to make case-by-case determinations on the adequacy of individual marketing efforts made by participating utilities. In making its review, the Board may consult with the local stakeholder group. This review is intended to be separate, and will remain separate, from any individual commission's jurisdictional authority to audit marketing or other expenses related to green pricing programs.

3. Disclosure and Customer Information Provisions

Utilities offering certified programs will annually disclose to all of their customers, irrespective of their participation in the certified program, the fuel mix of the resources used to generate the past year's system power, and data on the electricity purchased by the customer, if it differs from system power (historic disclosure -- using the standard *Green-e* format). The utility also will provide a disclosure statement to prospective customers of the certified product that lists the resources used to supply the electricity for the certified product (prospective disclosure) as well as information on the fuel mix of traditional system power. The stakeholder group will recommend, subject to Board approval, the appropriate dissemination strategies for these disclosures. The green pricing certification program will provide stakeholder groups a default disclosure format and dissemination strategy for their consideration.

4. Performance Targets and Reporting Requirements

Green pricing certification is only available to programs that receive ongoing support for meeting reasonable program participation goals. To meet this criteria, utilities are required to report to the Board on an annual basis information regarding customer sign-ups, the amount of renewable energy being delivered to those customers, marketing expenses, and program costs. The Board will take this information into account in its annual review of particular programs for recertification. The Board will review programs to evaluate whether or not the program is gathering enough participants to pay for the program at a reasonable cost, while providing an educational benefit to non-participants.

Certified green pricing programs must be offered to all customer classes.

5. Criteria for Treating Market Power Concerns

Providing certification to utility-sponsored green pricing programs could potentially hamper the creation of green power markets under restructuring if the certification merely solidifies the market position of the monopoly utilities. (See Appendix A, "Market Power Issues," for further discussion.)

The green pricing certification program will be governed by the following considerations to help offset and minimize, to the extent practical, market power concerns:

1) Green pricing certification will not be available in any utility service area which is currently open to competition or has announced that it will be open to competition within 2 years of the time the certification first takes affect.

2) Utilities offering certified green pricing programs more than 2 years in advance of market opening must agree to the following in the event that their service territory is restructured:

a) not claim stranded cost recovery for assets or contracts purchased for the green pricing program,[1] and

b) accept restrictions on eventual sales of renewable-based electricity products as a utility in the restructured environment. Any utility-related offerings of these products to ***new*** customers in a restructured environment must be undertaken by a utility affiliate [or, in the case of a municipal utility or cooperative of a substantial size, a non-associated program]. The affiliate must have no preferential access to the parent utility's infrastructure.

c) for ***existing*** customers of the certified green pricing program, participating utilities may either:

- cease offering the green pricing program and return existing customers to normal default service, effectively "divesting" the program of its customer base, or

- if the participating utility decides to keep the customers for their certified green pricing program, the utility must share customer lists for the certified product with *Green-e* certified marketers entering the newly restructured market. The utility must also inform customers of the certified green pricing product about new *Green-e* certified product options available in the competitive market. The information, and timeline for disseminating the information, provided to fulfill this requirement must be approved -- in form and content -- by the Program Administrator. The local stakeholder group will recommend to the Board the best method for governing this transition.

3) In the event a particular jurisdiction opens to competition, green pricing certification criteria will be supplanted by the criteria required for *Green-e* certification.[2]

6. Regulatory Approval

Certification is only available to programs approved by the appropriate regulatory or oversight body with jurisdiction over the program.

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[1] This condition does not require divestiture of the assets or contracts purchased for the certified green pricing program. As long as stranded cost recovery is not claimed, the utility would be free to sell the power from those assets to an affiliate or into the market.

[2] Though green pricing certification will be administered by the Center for Resource Solutions through the *Green-e*'s Green Power Board, and be included in the *Green-e* family of certification programs, there will be a clear distinction between *Green-e* and green pricing certification -- the former is the certification for restructured environments and the latter for regulated environments. The logos available to suppliers participating in the two programs will be different; each program will have separate financial accounting mechanisms and program budgets.

B. Process Issues

1. Basis for Initiating Certification Process in a Region

Prior to opening a region for certification of green pricing programs, certain core requirements for participation are necessary:

1) A core group of local stakeholders must be prepared to participate in developing the green pricing certification criteria for their region. Participants in the stakeholder group should agree that green pricing certification would be valuable and accept the baseline certification requirements established in this proposal. The stakeholder group will work with the green pricing certification program to recommend specific certification requirements for green pricing products in that region. The region should be at least as large as a state.

   Federal power marketing agencies which span several states may be considered as a unique region. Stakeholder groups in the affected states dealing with other unaffiliated utilities should consider the program approach constructed for the power marketing agencies that also occupy their state.

2) Utilities interested in gaining certification for their green pricing programs agree to participate in the stakeholder group and are prepared to cover the costs associated with certification when the process is complete. Utilities from a given region who do not participate in the initial program design but wish to be certified at a later date must abide by the program requirements authored by the initial stakeholder group. (In some cases the stakeholder group may reconvene to evaluate circumstances not encompassed in its initial recommendations to the Board.)

3) If investor-owned utilities (IOUs) are involved in the process, the state commission with authority over the respective utilities must agree to support the green pricing certification process. The commission must also agree to verify (directly or through an independent auditor) the supply / demand for the certified IOU programs and report the results to the program administrator.[3] Green pricing certification is only possible in those instances where appropriate regulatory bodies are supportive of and willing to cooperate with the green pricing certification effort.

4) Participating municipal utilities and cooperatives agree to have an accredited auditor verify the supply / demand for the certified programs and report the results to the program administrator.

2. Certification Process

In regions where certification for green pricing programs is requested, a stakeholder group will formulate and recommend specific green pricing certification criteria for that region, consistent with the general guidelines set out in this proposal. The Board will then review and consider approving the stakeholder group's recommendations.

The stakeholder group must include, or the option for participating be offered to, the relevant utilities in the region and representatives of the appropriate commission if

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[3] An accredited auditor can be substituted for the verification function of a commission.

investor-owned utilities are involved. Other parties that are likely members of a stakeholder group include consumer advocates, environmental groups, renewable energy advocates, municipally-owned utilities, cooperatives, and potential utility competitors.[4]

A member of the Board, working with the program administrator, will provide input to and participate in the progress of the stakeholder group.

As a prerequisite, the local stakeholder group must represent a mix of consumer and environmental protection interests who support the creation of green pricing programs by utilities in the relevant region. The stakeholder group will develop recommendations to the governing board on topics including:

- the specific certification criteria that should govern green pricing programs offered in the region (within the boundaries established by the criteria in this proposal).
- whether or not specific proposed programs merit certification.

Topics for consideration by local stakeholder groups will include program aspects such as:

- variations to the definition of renewables (e.g., to keep the green pricing certification definition consistent with state law, etc.). Only proposals for narrowing the starting definition are considered appropriate for consideration by the Board;
- appropriateness of the pricing for the candidate product;
- potential effectiveness of utility marketing plans and appropriateness of the marketing cost allocation; and
- the dissemination method for required disclosure reports.

Other areas where local stakeholder groups may make recommendations, when appropriate, include:

- level of aggregation at which system power is calculated (e.g. utility vs. state); how it will be defined, and who will calculate it (for blended products only);
- eligibility of existing facilities (where they can be expanded to provide new kWh).

After certification criteria for a particular region are recommended by the stakeholder group and approved by the Board, the program administrator will accept applications from utilities for certifying candidate green pricing programs. Certification will be valid for one year. Utilities must update their program data each year to maintain certification. The Board will review this information annually to determine whether the program merits ongoing certification. In making its review, the Board may consult with the local stakeholder group.

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[4] Though broad stakeholder participation is required as a condition of certification, no single, individual stakeholder interest will hold veto power over certification through either its positions or its refusal to participate.

C. Program Governance

The recommendation at this time is that the Center for Resource Solutions serve as program administrator for the green pricing certification effort. The Green Power Board, which governs *Green-e*, will govern the green pricing certification program. Additional members, including *ex-officio* members, will be added to the Green Power Board to facilitate additional tasks required in association with providing certification for green pricing programs. *Green-e* and the green pricing certification program will operate under the direction of the Green Power Board, helping ensure consistent policy between the two programs. At least one Board member will be involved in each stakeholder group process. As necessary, Advisory Committees will be established to provide advice and recommendations to the Board on issues related to green pricing certification.

D. Program Funding and Certification Fees

The green pricing certification program will have financial accounting separate from the *Green-e* program. Funding for the green pricing certification program is expected to come from a mix of utility certification fees, government agencies, foundations, and other funding entities. Utility certification fees will be set at a level high enough to cover day-to-day operating costs for the green pricing certification program. In order to maintain the program's credibility, public interest funding will be sought to support the program administrator and individual stakeholder groups in the development and design of certification criteria for particular regions.

Utility certification fees will reflect, in part, the size of the utility and the program requesting certification.

E. Definitions

Accredited auditor:	Independent auditor who meets the qualifications set forth in the auditor protocol and instruction forms of the *Green-e* program.
Eligible Renewable Resources:	Technologies for generating electricity that use renewable resources such as biomass (including waste-to-energy and landfill gas); geothermal; small hydroelectric (< 30MW); solar; wind or ocean-based facilities.
Fossil Resources:	Electric generation using natural gas, oil, coal, or petroleum coke or other petroleum-based fuels.
The Board:	The Governing Board for this project The Board meets twice annually as a full board, and may convene meetings in subcommittee as necessary. This proposal recommends that the present Green Power Board, which oversees the *Green-e* program, govern the green pricing certification program.
Green Pricing Program:	An environmentally preferable service or product option offered by a regulated utility that is based on eligible renewable energy supply. Green pricing is distinguished from green power marketing in that it is offered in a non-competitive, monopoly environment. Most green pricing programs require regulatory approval prior to implementation.

Minimum percentage:	In the context of this proposal for conducting green pricing certification, for products offering blocks of energy (or capacity), the minimum percentage refers to the amount of a customer's total external electricity need that must be derived from eligible renewable resources to qualify for secondary use of the *Green-e* logo. The customer's total external electricity need (e.g. power not generated on-site) is measured on an annual basis in terms of energy or capacity, depending on the nature of the program in question, and is consistent with the measurement practices established by the *Green-e* program.
New Renewables:	Renewable resources created for the specific purpose of serving a given green pricing program. Local stakeholder groups will recommend to the board specific criteria (including dates for creation of resources) for defining new renewables resources in their region that address this general definition and recognize local conditions. Resources which were not built specifically to meet demand for the green pricing program, or that were acquired as a result of a specific mandate requiring the construction of renewable resources (e.g. a renewable portfolio standard or an environmental compliance program which ties construction of the renewable to the approval of another activity or project), cannot, in general, qualify as "new." In certain circumstances, to be evaluated on a case by case basis, individual existing resources may be deemed to meet this definition if additional new energy is produced as a direct result of the certified green pricing product. For example, if it can be clearly demonstrated that a renewable resource that is not owned or contracted by the utility or its affiliate would close absent the certified product, or if an existing renewable resource would increase its capacity or expand its energy output as a result of the certified product, such a resource or its expanded output, respectively, may be considered to be new for these purposes, subject to the recommendation of the local Stakeholder Group and the approval of the Board.
Non-Associated Program:	In the case of municipal utilities of a substantial size that offer a certified product and then later opened to direct access, a non-associated program is a green pricing program that does not offer the green product preferential access to municipal utility billing or other utility resources. Under this proposal, smaller utilities are not required to establish non-associated programs (unless recommended by the Stakeholder Group) because of the relatively high administrative costs, either during the transition to competition or in establishing the non-associated program.
Preferential access:	Right to use utility property (both intellectual and physical), including personnel and billing systems, on terms which are unavailable to other competitors. More advantageous pricing is a form of preferential access.
Product:	Under the green pricing certification program, a product is defined as a mix of specific purchase and possibly system power resources offered to consumers that conforms to the green pricing program's resource content and emissions guidelines. Pricing variations that do not change a given

product's resource mix, SO2, NOx, or greenhouse gas emissions, do not constitute different products.

Program Administrator: The organization which administers the green pricing certification program. The program administrator verifies claims and ensures that participants abide by the program's standards. It administers contracts. It is also responsible for trademark enforcement of the certification program's logo, as well as secondary use of the *Green-e* emblem by customers of certified green pricing products.

Region: State, utility service area, or other geographical designation over which the guidelines in place for green pricing certification are substantially similar. The goals of the green pricing certification program are best served by working, to the extent possible, within regions at the state level or larger.

Secondary Use: Secondary use includes any and all uses of the *Green-e* logo by eligible retail customers, whether in advertising, public display or otherwise. Registration for secondary use follows the same procedures as in the *Green-e* program, and display of the logo is subject to the same disclosure conditions as in the *Green-e* program.

Stakeholder Group: An ad hoc group of interested parties that make recommendations to the Green Power Board regarding details of certifying green pricing programs in their local region.

Substantial Size. A municipal utility with a minimum of 100,000 customers or a load of at least 200 MW.

[Net] System Power: Mix of identifiable electricity fuel source types, net of station use, supplying the grid. For each region, if and where appropriate, the stakeholder group will recommend to the Board how system power is to be calculated. (This is only relevant if a "blended" product is offered.)

Appendix A -- Market Power and Transition Issues

A. Issues

A major consideration in evaluating green pricing certification is the extent to which such certification could solidify the market position of existing monopoly utilities and hamper future competition within green markets established in restructured markets. Certification could attach a "stamp of approval" to utility programs that could lend itself to unfair market power, in the event of restructuring, in the following ways:

1. Green power customers served by the utility may be the same early adopters required to sustain newly established restructured green power markets during their infancy. In the event of restructuring, if these early adopters become less attracted to new market entrants as a result of their participation in a certified green pricing program, the impact on the growth of the new green market could make it even more difficult for new entrants to compete.

2. The utility may have lower marketing and administrative costs than potential competitors. This is due to the fact that the utility has access to valuable market information. Utilities know the names, addresses, and usage patterns of their captive customers, and possess a billing and customer service infrastructure that was paid for by all ratepayers. This combined market advantage could translate into unfair price competition by allowing incumbent utilities to undercut potential competitors encountering the first costs associated with establishing the infrastructure necessary to compete.

3. Customer inertia and risk aversion could provide those who subscribe to a certified program with little reason to choose an alternate supplier at a later stage, unless the service related to the certified green pricing program has been severely defective in some aspect. This is true even if the initial choice happened several years prior to a market opening.

4. The utility's established brand name and monopoly position, combined with certification, could offer the utility status as the implicit default provider for both green and system power.

5. The existence of a satisfactory utility green pricing program could potentially reduce the impetus to create competitive electricity markets capable of offering customers wider product choices.

B. Preferred Market Conditions

Market power issues associated with restructuring have been treated thoroughly in other arenas. However, some simple proposals for offsetting certain market power issues are offered here to establish the principles under which this proposal for certifying green pricing programs is offered.

In general, the creation of effective competitive markets is best served if restructuring legislation dictates that all customers "choose" a supplier in the new market, even if that choice is to remain with the incumbent utility. Requiring all customers to proactively identify their preferred provider after restructuring helps minimize market inertia.

According to the certification requirements established in this proposal, green options, as well as other options offered in the newly created market, should only be offered by new market entrants (independent marketers, utility affiliates, or non-associated programs) that all share a similar starting point for acquiring customers. Utility affiliates should be governed by strict rules that do not allow them access to the incumbent utility's customer base, infrastructure, or established brand equity.

The renewable resources used for a utilities' green pricing program should not be eligible to receive stranded cost recovery from ratepayers after a competitive market is established. This will help ensure that no unfair subsidies are derived from ratepayers as a result of prior green pricing programs.